

Water's-Edge Manual, Chapter 16

EXAMPLE #1

NET OPERATING LOSS COMPUTATION

	FOREIGN <u>PARENT A</u>	FOREIGN <u>CORP B</u>	DOMESTIC <u>CORP C</u>	DOMESTIC <u>CORP D</u>	DOMESTIC <u>CORP E</u>	<u>TOTAL</u>
<i>OWNERSHIP %</i>	<u>N/A</u>	<u>60%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	
<u>1996 FACTS</u>						
UNITARY BUSINESS INCOME	(\$2,500,000)	\$1,000,000	\$100,000	\$500,000	(\$2,000,000)	(\$2,900,000)
U.S. SOURCE INCOME	\$0	\$0	N/A	N/A	N/A	\$0
AVERAGE TOTAL FACTORS	\$20,000,000	\$10,000,000	\$10,000,000	\$1,000,000	\$2,000,000	\$43,000,000
AVERAGE U.S. FACTORS	\$0	\$2,000,000	\$10,000,000	\$1,000,000	\$2,000,000	\$15,000,000
AVERAGE CALIFORNIA FACTORS	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$2,000,000	\$5,000,000
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<u>1997 FACTS</u>						
UNITARY BUSINESS INCOME	\$800,000	\$200,000	\$100,000	\$200,000	(\$800,000)	\$500,000
U.S. SOURCE INCOME	\$0	\$0	N/A	N/A	N/A	\$0
AVERAGE TOTAL FACTORS	\$35,000,000	\$25,000,000	\$12,000,000	\$1,000,000	\$2,000,000	\$75,000,000
AVERAGE U.S. FACTORS	\$0	\$5,000,000	\$12,000,000	\$1,000,000	\$2,000,000	\$20,000,000
AVERAGE CALIFORNIA FACTORS	\$0	\$2,000,000	\$3,000,000	\$1,000,000	\$2,000,000	\$8,000,000
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<u>1998 FACTS</u>						
UNITARY BUSINESS INCOME	\$2,000,000	\$500,000	\$100,000	\$200,000	\$200,000	\$3,000,000
U.S. SOURCE INCOME	\$0	\$0	N/A	N/A	N/A	\$0
AVERAGE TOTAL FACTORS	\$40,000,000	\$30,000,000	\$15,000,000	\$2,000,000	\$3,000,000	\$90,000,000
AVERAGE U.S. FACTORS	\$0	\$6,000,000	\$15,000,000	\$2,000,000	\$3,000,000	\$26,000,000
AVERAGE CALIFORNIA FACTORS	\$0	\$2,000,000	\$4,000,000	\$2,000,000	\$3,000,000	\$11,000,000
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EXAMPLE #1

NET OPERATING LOSS COMPUTATION - WORLDWIDE

		CALIFORNIA FACTORS				
	TOTAL	FOREIGN PARENT A	FOREIGN CORP B	DOMESTIC CORP C	DOMESTIC CORP D	DOMESTIC CORP E
<u>1996</u>						
APPORTIONMENT FACTORS	\$43,000,000	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$2,000,000
CALIFORNIA INTRASTATE %	11.63%	0.00%	2.33%	2.33%	2.33%	4.65%
TOTAL UNITARY BUSINESS INCOME	(\$2,900,000)					
CALIFORNIA NET INCOME/(LOSS)	(\$337,209)	\$0	(\$67,442)	(\$67,442)	(\$67,442)	(\$134,884)
<i>NOL CARRYOVER (50%)</i>		<i>\$0</i>	<i>(\$33,721)</i>	<i>(\$33,721)</i>	<i>(\$33,721)</i>	<i>(\$67,442)</i>
<u>1997</u>						
APPORTIONMENT FACTORS	\$75,000,000	\$0	\$2,000,000	\$3,000,000	\$1,000,000	\$2,000,000
CALIFORNIA INTRASTATE %	10.67%	0.00%	2.67%	4.00%	1.33%	2.67%
TOTAL UNITARY BUSINESS INCOME	\$500,000					
CALIF. BUSINESS INCOME BEFORE NOL	\$53,333	\$0	\$13,333	\$20,000	\$6,667	\$13,333
<i>NOL CARRYOVER FROM 1996</i>		<i>\$0</i>	<i>(\$33,721)</i>	<i>(\$33,721)</i>	<i>(\$33,721)</i>	<i>(\$67,442)</i>
CALIFORNIA NET INCOME	\$0	\$0	\$0	\$0	\$0	\$0
<i>NOL CARRYOVER</i>		<i>\$0</i>	<i>(\$20,388)</i>	<i>(\$13,721)</i>	<i>(\$27,054)</i>	<i>(\$54,109)</i>
<u>1998</u>						
APPORTIONMENT FACTORS	\$90,000,000	\$0	\$2,000,000	\$4,000,000	\$2,000,000	\$3,000,000
CALIFORNIA INTRASTATE %	12.22%	0.00%	2.22%	4.44%	2.22%	3.33%
TOTAL UNITARY BUSINESS INCOME	\$3,000,000					
CALIFORNIA NET INCOME/(LOSS)	\$366,667	\$0	\$66,667	\$133,333	\$66,667	\$100,000
<i>NOL CARRYOVER FROM 1996</i>		<i>\$0</i>	<i>(\$20,388)</i>	<i>(\$13,721)</i>	<i>(\$27,054)</i>	<i>(\$54,109)</i>
CALIFORNIA NET INCOME AFTER NOL	\$251,395	\$0	\$46,279	\$119,612	\$39,613	\$45,891

EXAMPLE #1

NET OPERATING LOSS COMPUTATION - WATER'S-EDGE

		CALIFORNIA FACTORS				
	TOTAL	FOREIGN PARENT A	FOREIGN CORP B	DOMESTIC CORP C	DOMESTIC CORP D	DOMESTIC CORP E
<u>1996</u>						
APPORTIONMENT FACTORS	\$23,000,000	N/A	\$1,000,000	\$1,000,000	\$1,000,000	\$2,000,000
CALIFORNIA INTRASTATE %	21.74%	N/A	4.35%	4.35%	4.35%	8.70%
TOTAL UNITARY BUSINESS INCOME	(\$400,000)					
CALIFORNIA NET INCOME/(LOSS)	(\$86,957)	N/A	(\$17,391)	(\$17,391)	(\$17,391)	(\$34,783)
<i>NOL CARRYOVER (50%)</i>		<i>N/A</i>	<i>(\$8,696)</i>	<i>(\$8,696)</i>	<i>(\$8,696)</i>	<i>(\$17,391)</i>
<u>1997</u>						
APPORTIONMENT FACTORS	\$40,000,000	N/A	\$2,000,000	\$3,000,000	\$1,000,000	\$2,000,000
CALIFORNIA INTRASTATE %	20.00%	N/A	5.00%	7.50%	2.50%	5.00%
TOTAL UNITARY BUSINESS INCOME	(\$300,000)					
CALIFORNIA NET INCOME/(LOSS)	(\$60,000)	N/A	(\$15,000)	(\$22,500)	(\$7,500)	(\$15,000)
<i>NOL CARRYOVER</i>		<i>N/A</i>	<i>(\$7,500)</i>	<i>(\$11,250)</i>	<i>(\$3,750)</i>	<i>(\$7,500)</i>
THE FOREIGN PARENT IS NOT INCLUDED IN THE WATER'S-EDGE GROUP BECAUSE IT DOES NOT HAVE AVERAGE U.S. FACTORS OF 20% OR MORE, AND HAS NO U.S. SOURCE INCOME. THE NOL AMOUNTS HAVE BEEN RECALCULATED AS IF A WATER'S-EDGE ELECTION WAS IN EFFECT.						
<u>1998</u>						
APPORTIONMENT FACTORS	\$50,000,000	N/A	\$2,000,000	\$4,000,000	\$2,000,000	\$3,000,000
CALIFORNIA INTRASTATE %	22.00%	N/A	4.00%	8.00%	4.00%	6.00%
TOTAL UNITARY BUSINESS INCOME	\$1,000,000					
CALIFORNIA BUSINESS INCOME/(LOSS)	\$220,000	N/A	\$40,000	\$80,000	\$40,000	\$60,000
<i>NOL CARRYOVER FROM 1996 *</i>		<i>N/A</i>	<i>\$0</i>	<i>\$0</i>	<i>(\$2,029)</i>	<i>(\$4,058)</i>
CALIFORNIA NET INCOME AFTER NOL	\$213,913	N/A	\$40,000	\$80,000	\$37,971	\$55,942

* THE NOL CARRYOVER FROM 1996 HAS BEEN REDUCED. CORP B & C USED THE ENTIRE REDUCED AMOUNT IN 1997. CORP D & E HAD A SMALL AMOUNT AVAILABLE IN 1997. THE WORLD WIDE GROUP REPORTED INCOME IN 1997 SO NO NOL IS AVAILABLE FOR THAT YEAR.

Water's-Edge Manual, Chapter 16

EXAMPLE #2

NET OPERATING LOSS COMPUTATION

<i>OWNERSHIP %</i>	FOREIGN PARENT A <u>N/A</u>	FOREIGN CORP B <u>60%</u>	DOMESTIC CORP C <u>100%</u>	DOMESTIC CORP D <u>100%</u>	DOMESTIC CORP E <u>100%</u>	<u>TOTAL</u>
<u>1996 FACTS</u>						
UNITARY BUSINESS INCOME	(\$2,500,000)	\$1,000,000	\$100,000	\$500,000	(\$1,000,000)	(\$1,900,000)
U.S. SOURCE INCOME	\$0	\$0	N/A	N/A	N/A	\$0
AVERAGE TOTAL FACTORS	\$20,000,000	\$10,000,000	\$10,000,000	\$1,000,000	\$2,000,000	\$43,000,000
AVERAGE U.S. FACTORS	\$0	\$2,000,000	\$10,000,000	\$1,000,000	\$2,000,000	\$15,000,000
AVERAGE CALIFORNIA FACTORS	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$2,000,000	\$5,000,000

<u>1997 FACTS</u>						
UNITARY BUSINESS INCOME	\$800,000	\$200,000	\$100,000	\$200,000	(\$800,000)	\$500,000
U.S. SOURCE INCOME	\$0	\$0	N/A	N/A	N/A	\$0
AVERAGE TOTAL FACTORS	\$35,000,000	\$25,000,000	\$12,000,000	\$1,000,000	\$2,000,000	\$75,000,000
AVERAGE U.S. FACTORS	\$0	\$5,000,000	\$12,000,000	\$1,000,000	\$2,000,000	\$20,000,000
AVERAGE CALIFORNIA FACTORS	\$0	\$2,000,000	\$3,000,000	\$1,000,000	\$2,000,000	\$8,000,000

<u>1998 FACTS</u>						
UNITARY BUSINESS INCOME	\$2,000,000	\$500,000	\$100,000	\$200,000	\$200,000	\$3,000,000
U.S. SOURCE INCOME	\$0	\$0	N/A	N/A	N/A	\$0
AVERAGE TOTAL FACTORS	\$40,000,000	\$30,000,000	\$15,000,000	\$2,000,000	\$3,000,000	\$90,000,000
AVERAGE U.S. FACTORS	\$0	\$6,000,000	\$15,000,000	\$2,000,000	\$3,000,000	\$26,000,000
AVERAGE CALIFORNIA FACTORS	\$0	\$2,000,000	\$4,000,000	\$2,000,000	\$3,000,000	\$11,000,000

EXAMPLE #2

NET OPERATING LOSS COMPUTATION - WORLDWIDE

			CALIFORNIA FACTORS			
	<u>TOTAL</u>	<u>FOREIGN PARENT A</u>	<u>FOREIGN CORP B</u>	<u>DOMESTIC CORP C</u>	<u>DOMESTIC CORP D</u>	<u>DOMESTIC CORP E</u>
<u>1996</u>						
APPORTIONMENT FACTORS	\$43,000,000	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$2,000,000
CALIFORNIA INTRASTATE %	11.63%	0.00%	2.33%	2.33%	2.33%	4.65%
TOTAL UNITARY BUSINESS INCOME	(\$1,900,000)					
CALIFORNIA NET INCOME/(LOSS)	(\$220,930)	\$0	(\$44,186)	(\$44,186)	(\$44,186)	(\$88,372)
<i>NOL CARRYOVER (50%)</i>		<i>\$0</i>	<i>(\$22,093)</i>	<i>(\$22,093)</i>	<i>(\$22,093)</i>	<i>(\$44,186)</i>
<u>1997</u>						
APPORTIONMENT FACTORS	\$75,000,000	\$0	\$2,000,000	\$3,000,000	\$1,000,000	\$2,000,000
CALIFORNIA INTRASTATE %	10.67%	0.00%	2.67%	4.00%	1.33%	2.67%
TOTAL UNITARY BUSINESS INCOME	\$500,000					
CALIF. NET INCOME BEFORE NOL	\$53,333	\$0	\$13,333	\$20,000	\$6,667	\$13,333
<i>NOL CARRYOVER FROM 1996</i>		<i>\$0</i>	<i>(\$22,093)</i>	<i>(\$22,093)</i>	<i>(\$22,093)</i>	<i>(\$44,186)</i>
CALIFORNIA NET INCOME	\$0	\$0	\$0	\$0	\$0	\$0
<i>NOL CARRYOVER</i>		<i>\$0</i>	<i>(\$8,760)</i>	<i>(\$2,093)</i>	<i>(\$15,426)</i>	<i>(\$30,853)</i>
<u>1998</u>						
APPORTIONMENT FACTORS	\$90,000,000	\$0	\$2,000,000	\$4,000,000	\$2,000,000	\$3,000,000
CALIFORNIA INTRASTATE %	12.22%	0.00%	2.22%	4.44%	2.22%	3.33%
TOTAL UNITARY BUSINESS INCOME	\$3,000,000					
CALIFORNIA NET INCOME/(LOSS)	\$366,667	\$0	\$66,667	\$133,333	\$66,667	\$100,000
<i>NOL CARRYOVER FROM 1996</i>		<i>\$0</i>	<i>(\$8,760)</i>	<i>(\$2,093)</i>	<i>(\$15,426)</i>	<i>(\$30,853)</i>
CALIF. NET INCOME AFTER NOL	\$309,535	\$0	\$57,907	\$131,240	\$51,241	\$69,147

EXAMPLE #2

NET OPERATING LOSS COMPUTATION - WATER'S-EDGE

			CALIFORNIA FACTORS			
	TOTAL	FOREIGN PARENT A	FOREIGN CORP B	DOMESTIC CORP C	DOMESTIC CORP D	DOMESTIC CORP E
<u>1996</u>						
APPORTIONMENT FACTORS *	\$23,000,000	N/A	\$1,000,000	\$1,000,000	\$1,000,000	\$2,000,000
CALIFORNIA INTRASTATE %	21.74%	N/A	4.35%	4.35%	4.35%	8.70%
TOTAL UNITARY BUSINESS INCOME *	\$600,000					
CALIFORNIA NET INCOME/(LOSS)	\$130,435	N/A	\$26,087	\$26,087	\$26,087	\$52,174

<u>1997</u>						
APPORTIONMENT FACTORS *	\$40,000,000	N/A	\$2,000,000	\$3,000,000	\$1,000,000	\$2,000,000
CALIFORNIA INTRASTATE %	20.00%	N/A	5.00%	7.50%	2.50%	5.00%
TOTAL UNITARY BUSINESS INCOME	(\$300,000)					
CALIFORNIA NET INCOME/(LOSS)	(\$60,000)	N/A	(\$15,000)	(\$22,500)	(\$7,500)	(\$15,000)
<i>NOL CARRYOVER (50%)</i>		<i>N/A</i>	<i>(\$7,500)</i>	<i>(\$11,250)</i>	<i>(\$3,750)</i>	<i>(\$7,500)</i>

* THE FACTORS AND INCOME OF THE PARENT WOULD NOT BE INCLUDED IN THE WATER'S EDGE GROUP BECAUSE IT HAS NO U.S. SOURCE INCOME AND NO U.S. FACTORS.

<u>1998</u>						
APPORTIONMENT FACTORS	\$50,000,000	N/A	\$2,000,000	\$4,000,000	\$2,000,000	\$3,000,000
CALIFORNIA INTRASTATE %	22.00%	N/A	4.00%	8.00%	4.00%	6.00%
TOTAL UNITARY BUSINESS INCOME	\$1,000,000					
CALIFORNIA NET INCOME/(LOSS) *	\$220,000	N/A	\$40,000	\$80,000	\$40,000	\$60,000

* THE TAXPAYER WOULD NOT BE ALLOWED AN NOL CARRYOVER AS CALCULATED UNDER WATER'S EDGE BECAUSE THE LOSS CAN NOT BE INCREASED.

Water's-Edge Manual, Chapter 16

EXAMPLE #3

NET OPERATING LOSS COMPUTATION

<i>OWNERSHIP %</i>	<u>FOREIGN PARENT A</u> <i>N/A</i>	<u>FOREIGN CORP B</u> <i>60%</i>	<u>DOMESTIC CORP C</u> <i>100%</i>	<u>DOMESTIC CORP D</u> <i>100%</i>	<u>DOMESTIC CORP E</u> <i>100%</i>	<u>TOTAL</u>
<u>1996 FACTS</u>						
UNITARY BUSINESS INCOME	\$1,000,000	(\$1,500,000)	\$100,000	\$500,000	(\$1,000,000)	(\$900,000)
U.S. SOURCE INCOME	\$0	\$500,000	N/A	N/A	N/A	\$500,000
AVERAGE TOTAL FACTORS	\$20,000,000	\$10,000,000	\$10,000,000	\$1,000,000	\$2,000,000	\$43,000,000
AVERAGE U.S. FACTORS	\$0	\$1,000,000	\$10,000,000	\$1,000,000	\$2,000,000	\$14,000,000
AVERAGE CALIFORNIA FACTORS	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$2,000,000	\$5,000,000

<u>1997 FACTS</u>						
UNITARY BUSINESS INCOME	\$800,000	\$200,000	\$100,000	\$200,000	(\$800,000)	\$500,000
U.S. SOURCE INCOME	\$0	\$100,000	N/A	N/A	N/A	\$100,000
AVERAGE TOTAL FACTORS	\$35,000,000	\$25,000,000	\$12,000,000	\$1,000,000	\$2,000,000	\$75,000,000
AVERAGE U.S. FACTORS	\$0	\$2,000,000	\$12,000,000	\$1,000,000	\$2,000,000	\$17,000,000
AVERAGE CALIFORNIA FACTORS	\$0	\$2,000,000	\$3,000,000	\$1,000,000	\$2,000,000	\$8,000,000

<u>1998 FACTS</u>						
UNITARY BUSINESS INCOME	\$2,000,000	\$500,000	\$100,000	\$200,000	\$200,000	\$3,000,000
U.S. SOURCE INCOME	\$0	\$250,000	N/A	N/A	N/A	\$250,000
AVERAGE TOTAL FACTORS	\$40,000,000	\$30,000,000	\$15,000,000	\$2,000,000	\$3,000,000	\$90,000,000
AVERAGE U.S. FACTORS	\$0	\$3,000,000	\$15,000,000	\$2,000,000	\$3,000,000	\$23,000,000
AVERAGE CALIFORNIA FACTORS	\$0	\$2,000,000	\$4,000,000	\$2,000,000	\$3,000,000	\$11,000,000

EXAMPLE #3

NET OPERATING LOSS COMPUTATION - WORLDWIDE

		----- CALIFORNIA FACTORS -----				
	<u>TOTAL</u>	<u>FOREIGN PARENT A</u>	<u>FOREIGN CORP B</u>	<u>DOMESTIC CORP C</u>	<u>DOMESTIC CORP D</u>	<u>DOMESTIC CORP E</u>
<u>1996</u>						
APPORTIONMENT FACTORS	\$43,000,000	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$2,000,000
CALIFORNIA INTRASTATE %	11.63%	0.00%	2.33%	2.33%	2.33%	4.65%
TOTAL UNITARY BUSINESS INCOME	(\$900,000)					
CALIFORNIA NET INCOME/(LOSS)	(\$104,651)	\$0	(\$20,930)	(\$20,930)	(\$20,930)	(\$41,860)
<i>NOL CARRYOVER (50%)</i>		<i>\$0</i>	<i>(\$10,465)</i>	<i>(\$10,465)</i>	<i>(\$10,465)</i>	<i>(\$20,930)</i>
<u>1997</u>						
APPORTIONMENT FACTORS	\$75,000,000	\$0	\$2,000,000	\$3,000,000	\$1,000,000	\$2,000,000
CALIFORNIA INTRASTATE %	10.67%	0.00%	2.67%	4.00%	1.33%	2.67%
TOTAL UNITARY BUSINESS INCOME	\$500,000					
CALIF. NET INCOME BEFORE NOL	\$53,333	\$0	\$13,333	\$20,000	\$6,667	\$13,333
<i>NOL CARRYOVER FROM 1996</i>		<i>\$0</i>	<i>(\$10,465)</i>	<i>(\$10,465)</i>	<i>(\$10,465)</i>	<i>(\$20,930)</i>
CALIFORNIA NET INCOME	\$12,403	\$0	\$2,868	\$9,535	\$0	\$0
<i>NOL CARRYOVER</i>		<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>(\$3,798)</i>	<i>(\$7,597)</i>
<u>1998</u>						
APPORTIONMENT FACTORS	\$90,000,000	\$0	\$2,000,000	\$4,000,000	\$2,000,000	\$3,000,000
CALIFORNIA INTRASTATE %	12.22%	0.00%	2.22%	4.44%	2.22%	3.33%
TOTAL UNITARY BUSINESS INCOME	\$3,000,000					
CALIFORNIA NET INCOME/(LOSS)	\$366,667	\$0	\$66,667	\$133,333	\$66,667	\$100,000
<i>NOL CARRYOVER FROM 1996</i>		<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>(\$3,798)</i>	<i>(\$7,597)</i>
CALIF. NET INCOME AFTER NOL	\$355,272	\$0	\$66,667	\$133,333	\$62,869	\$92,403

EXAMPLE #3

NET OPERATING LOSS COMPUTATION - WATER'S-EDGE

	----- CALIFORNIA FACTORS -----					
	<u>TOTAL</u>	<u>FOREIGN PARENT A</u>	<u>FOREIGN CORP B</u>	<u>DOMESTIC CORP C</u>	<u>DOMESTIC CORP D</u>	<u>DOMESTIC CORP E</u>
<u>1996</u>						
APPORTIONMENT FACTORS *	\$14,000,000	N/A	\$1,000,000	\$1,000,000	\$1,000,000	\$2,000,000
CALIFORNIA INTRASTATE %	35.71%	N/A	7.14%	7.14%	7.14%	14.29%
TOTAL UNITARY BUSINESS INCOME	\$100,000					
CALIFORNIA NET INCOME/(LOSS)	\$35,714	N/A	\$7,143	\$7,143	\$7,143	\$14,286

<u>1997</u>						
APPORTIONMENT FACTORS *	\$17,000,000	N/A	\$2,000,000	\$3,000,000	\$1,000,000	\$2,000,000
CALIFORNIA INTRASTATE %	47.06%	N/A	11.76%	17.65%	5.88%	11.76%
TOTAL UNITARY BUSINESS INCOME	(\$400,000)					
CALIFORNIA NET INCOME/(LOSS)	(\$188,235)	N/A	(\$47,059)	(\$70,588)	(\$23,529)	(\$47,059)
<i>NOL CARRYOVER (50%)</i>		<i>N/A</i>	<i>(\$23,529)</i>	<i>(\$35,294)</i>	<i>(\$11,765)</i>	<i>(\$23,529)</i>

* THE APPORTIONMENT FACTORS WOULD NOT INCLUDE THE FOREIGN PARENT BECAUSE IT HAS NO U.S. FACTORS. ONLY THE U.S. FACTORS OF CORP B WOULD BE INCLUDED BECAUSE IT HAS U.S. SOURCE INCOME BUT LESS THAN 20% OF ITS TOTAL FACTORS ARE IN THE U.S.

<u>1998</u>						
APPORTIONMENT FACTORS	\$23,000,000	N/A	\$2,000,000	\$4,000,000	\$2,000,000	\$3,000,000
CALIFORNIA INTRASTATE %	47.83%	N/A	8.70%	17.39%	8.70%	13.04%
TOTAL UNITARY BUSINESS INCOME	\$750,000					
CALIFORNIA NET INCOME/(LOSS) *	\$358,696	N/A	\$65,217	\$130,435	\$65,217	\$97,826

* THE TAXPAYER WOULD NOT BE ALLOWED TO UTILIZE THE NOL CALCULATED UNDER WATERS EDGE BECAUSE AN NOL MAY ONLY BE DECREASED, NOT INCREASED.